

CURRENT EVENTS

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CURRENT EVENTS

- ✓ **Local Embezzlement Cases**
- ✓ **Postal Service**
- ✓ **Navy Purchase Card**
- ✓ **Army Credit Card**
- ✓ **Enron**
- ✓ **Sarbanes-Oxley Act**



Local Embezzlement Cases

- ✓ **Bettendorf Dentistry Practice - \$85K.**
- ✓ **Lujack Insurance and Finance Manager - More than \$86K.**
- ✓ **Unity Hospital, Muscatine - \$55K**



Postal Service

- ✓ **GAO audit - Reviewed Postal Service policies on managing cash, checks, and coins received in daily operations.**
- ✓ **GAO found that Postal Service had policies and procedures that if properly followed would help control and secure its cash..**
- ✓ **GAO found that employees at many postal facilities did not follow procedures.**



Navy Purchase Card

- ✓ **GAO report - Weak internal controls on Navy travel card program have left program vulnerable to fraud and abuse.**
- ✓ **Included an expensive episode of internet gambling.**
- ✓ **As of 31 March 2002 over 8,000 cardholders had amassed more than \$6 million in delinquent debt.**



Army Credit Card

- ✓ **GAO audits uncovered abuses of the Army Travel Card and the Purchase Card (IMPAC) in their audits.**
- ✓ **Bank Of America (BOA) notified DOD that it planned to terminate its travel card services to the Army effective midnight 25 March 2002. It was eventually resolved.**



Army Travel Card

- ✓ Army Travel Card Delinquency Rate - 18%.
- ✓ ASC's average delinquency rate 1.5% over six months.
- ✓ People use card for personal purchases.

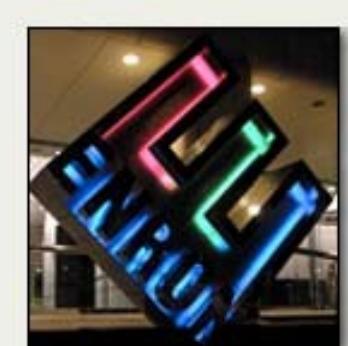


Army IMPAC Card

- ✓ An Army unit purchased spare parts/items in quantities to fall under \$2500 threshold in order to expedite renovation of systems for shipment to customers.
- ✓ GAO said in one of their audit reports that “Purchase Card abuse could have been more prevalent except for cardholders’ honesty.



Enron



James Nielsen / AFP file

- ✓ **Enron files for bankruptcy - 2 December 2001. Largest corporation bankruptcy in USA history.**
- ✓ **Arthur Andersen provided both consulting and auditing services to Enron.**



Enron (Continued)



James Nielsen / AFP file

- ✓ Enron's own attorneys came from their outside legal firm.
- ✓ Arthur Andersen says it destroyed documents related to Enron audit.
- ✓ Enron destroyed documents related to partnerships.



Enron (Continued)



James Nielsen / AFP file

- ✓ **Enron employees lose most/all of their 401(k) value due to majority of investments in company stock.**
- ✓ **Enron used dubious accounting practices to set up partnerships to hide debts.**
- ✓ **Enron's legal advisers said the partnerships were permissible.**



Enron Lessons Learned



James Nielsen / AFP file

“Enron was really a systemic failure of all the checks and balances we have on corporate governance: integrity of management, board of directors, audit committee of the board, outside accounting firm, Wall Street analysts and ultimately the press. And all of us failed.”

Steve Shepard, editor-in-chief of Business Week magazine



Enron Lessons Learned (Continued)



Problems revealed by Enron's collapse are rooted in recent changes in the legal, financial and accounting professions. Sandy Williams, a Foley & Lardner attorney specializing in energy matters, believes the trouble began with an epidemic of aggressiveness in the 1980s, when all three professions began to think of themselves as "can do" people -- "problem solvers" who "think outside the box."



Enron Lessons Learned (Continued)



James Nielsen / AFP file

But sometimes the box is there for a reason, such as protecting human beings from human nature. Sometimes clients need "can't-do-that" advisers who protect clients from themselves.

George F. Will Column, January 17, 2002



Sarbanes-Oxley Act

- ✓ **President Bush signed - July 2002.**
- ✓ **Result of Corporate Scandals.**
- ✓ **Requires reports on effectiveness of internal controls.**
 - **Quarterly to Securities Exchange Commission.**
 - **Annually to public.**
- ✓ **Chief Executive Officer and Chief Financial Officer sign Annual Report.**



Other Examples

Do you have any other current event examples of Management Controls?